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Recovering from the crisis: a Global Jobs Pact

Report of the Secretary-General

Summary

The present report, which was prepared by the International Labour Organization in response to Economic and Social Council resolution 2009/5, reviews national and international support to the implementation of the Global Jobs Pact. It underlines how key elements of the policies that countries adopted in response to the economic and financial crisis reflected the approach of the Pact and it highlights the efforts of the multilateral system to reorient its technical and financial assistance to address the employment and social protection needs of the most vulnerable countries and populations. The report reviews main lessons from the policy experience with national responses to the crisis and it calls for stronger employment and social protection policies and greater international policy coordination to accelerate and sustain recovery, with special attention to middle and lower income countries with limited fiscal space.

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I. Introduction

1. The present report is prepared in response to Economic and Social Council resolution 2009/5. In that resolution, the Council invited a range of actors to follow up and promote the content of the resolution adopted by the International Labour Conference entitled "Recovering from the crisis: towards a Global Jobs Pact".[1] It also requested the Secretary-General to report on progress in implementing Council resolution 2009/5 to the Council at its substantive session of 2010.

2. The Global Jobs Pact, as underlined in Economic and Social Council resolution 2009/5, is the only internationally agreed policy framework to address the social and employment impact of the financial and economic crisis. Its aim is to reduce the time lag between the start of economic recovery and the recovery of decent work opportunities. The Pact promotes a productive recovery centred on investments, employment and social protection, rights at work and social dialogue. It notes that recovery packages should be adapted to the special needs and circumstances of each country and that they should take into account the impact of the economic crisis on women and men, integrating gender equality concerns in all response measures. It recognizes the special needs of developing countries, especially the least developed, and it calls for a fair, sustainable and greener globalization. As outlined in the present report, many of the employment and social protection measures that countries have adopted in response to the crisis reflect the approach of the Pact; and many countries have moved to devise national jobs pacts in line with their needs and circumstances. To support these policies, the multilateral system has made new efforts to coordinate national actions and reorient and reorganize technical and financial assistance, especially catering to the needs of the most vulnerable countries and populations.

3. The report starts with a brief overview of the contribution of the United Nations system and other international organizations in promoting the Global Jobs Pact approach. It then reviews the employment and social consequences of the global financial and economic crisis, describing the impact on new and old vulnerabilities. Lessons from a range of policy measures falling under the framework of the Global Jobs Pact are reviewed in section IV.A concluding section V outlines key challenges in achieving the goals of the Pact and setting the world economy on a more stable path towards job-rich recovery, inclusive growth and poverty eradication.

II. International support

4. The endorsement by the Economic and Social Council presaged a series of decisions supporting the Global Jobs Pact by different international bodies,

[1] "Recovering from the crisis: a Global Jobs Pact", resolution adopted at the ninety-eighth session of the International Labour Conference (Geneva, June 2009). In this report the term Global Jobs Pact refers to the International Labour Organization (ILO) resolution. The ILO Pact embraces a number of elements of the joint crisis initiative adopted by the United Nations System Chief Executives Board for Coordination (CEB) in April 2009, in which the heading "Global jobs pact" refers to the employment elements of the ILO resolution. The ILO resolution adopting the Global Jobs Pact also covers the issues of basic social protection and greening the economy, which are the subject of separate initiatives in the CEB nine-point package.

meetings and conferences, including the summit of the Group of 20 (G-20) in Pittsburgh, the African Union, the Organization of American States, the European Union, the Arab Employment Forum: a Jobs Pact for Recovery and Growth (Beirut, October 2009), the United Nations Ministerial Conference on the Economic Crisis in Eastern Europe, Central Asia and Turkey (Almaty, December 2009), the Ministers of Labour of Argentina, Brazil, Chile and Mexico (Santiago, January 2010), the Tripartite High-level Meeting on Decent Work for Sustainable Development in the Pacific (Port Vila, February 2010); the Ministers for Labour and Social Affairs of the Portuguese-speaking countries community (Fortaleza, February 2010); the fourth Summit of the India-Brazil-South Africa (IBSA) Dialogue Forum; and the 2010 BRIC Summit (Brazil, Russian Federation, India and China).[2]

A. United Nations system and the Global Jobs Pact

5. Many United Nations specialized agencies, funds and programmes are regularly engaged in a wide range of activities that contribute to achieving the goals of the Global Jobs Pact — from social development and humanitarian programmes to the promotion of small and medium-sized enterprises, extending social security, support for rural development, youth and women entrepreneurship, microfinance, investment in infrastructure and public works, industrial restructuring, sustainable use of natural resources and environmental protection. In the wake of the global economic downturn, such dimensions of the responsibilities of the United Nations relate more closely to employment and the labour market and the efforts to help developing countries to overcome the jobs crisis, strengthen their resilience and attain the Millennium Development Goals. Inter-agency cooperation to promote a system-wide response to the global economic crisis, encompassing the Global Jobs Pact, the social protection floor and several related policy areas was encouraged by a joint crisis initiative of the United Nations System Chief Executives Board for Coordination (CEB).

6. Overall, employment and the labour market have not so far had a high profile in the follow-up to the Millennium Development Goals and largely consist of small-scale projects. In 2008, for instance, the global employment portfolio of the United Nations Development Programme (UNDP) consisted of approximately 470 projects with a total budgeted value of $162 million, out of a total flow of aid resources of $5 billion per year, of which nearly three quarters was in earmarked donor contributions.[3] The portfolio of the International Labour Organization (ILO) is of similar size and, while increasingly integrated into national decent work programmes, still has the characteristic of many relatively small projects. ILO and UNDP have decided to increase their collaboration with the aim of improving the effectiveness of support to national priorities in the field of employment and social protection (see para. 14 below).

[2] See "Giving effect to the Global Jobs Pact: consolidation of international declarations (July 2009-February 2010)", Rev.1 (Geneva, International Labour Organization, March 2010), available from http://www.ilo.org/public/libdoc/jobcrisis/download/giving_effects.pdf.

[3] See "Employment programming in response to the global financial and economic crisis", report to the Executive Board of the United Nations Development Programme and of the United Nations Population Fund, first regular session of 2010 (DP/2010/12).

1. Joint crisis initiatives of the United Nations system

7. In April 2009, pursuant to a proposal of the High-level Committee on Programmes, CEB endorsed a comprehensive strategy for United Nations system-wide action to confront the economic and financial crisis. The strategy draws on nine United Nations system joint crisis initiatives, each one coordinated by a lead organization working together with a cluster of cooperating organizations. The joint crisis initiatives framework covers several areas relevant to the Global Jobs Pact, including a social protection floor, food security, trade, technology and innovation, and a greener economy generating green jobs (see CEB/2009/1).

8. The main objective, under each of the nine initiatives, is to build on ongoing work of the United Nations system to provide a pool of expertise, resources, capacity-building and knowledge networks, which countries could rely upon in their policy and programme development related to the crisis. Overall, the joint crisis initiatives allow for a common outlook on policy areas critical to the crisis response. They permit the United Nations system to respond promptly and flexibly to the new needs of Member States, maintaining a global macroeconomic perspective while paying attention to the social and environmental dimensions of recovery (see CEB/2010/14).

9. In addition to providing direct support to its constituents to implement the Global Jobs Pact resolution, ILO has promoted greater inter-agency dialogue and technical exchange through its lead role of the CEB global jobs pact initiative.[4] The initiative has helped to identify specific areas of work where the input of different organizations to the implementation of the Pact would be especially relevant, including development of small and medium-sized enterprises and microfinance, value chains, public works and employment guarantee schemes, green jobs, rural employment and community development. Two critical issues emerged: the need to have timely and detailed knowledge of the impact of economic shocks on vulnerable employment and the informal economy, and the importance of solid analysis of the employment outcomes of different policy packages. Collaboration has started between ILO and the World Bank to review measures of global and regional aggregate employment trends, to analyse the distributional impacts of the crisis on employment, and to carry out an inventory of crisis response and recovery policy interventions.

10. The social protection floor initiative met with considerable enthusiasm and support from United Nations system partners internationally, and from Government and United Nations counterparts at the national level — a concrete sign of the growing consciousness of the role of social protection and the benefits it engenders.[5] Led by ILO and the World Health Organization (WHO), with the strong

[4] The initiative includes the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, ILO, the Department of Economic and Social Affairs of the Secretariat, UNDP, the United Nations Environment Programme, the United Nations Human Settlements Programme, the United Nations Industrial Development Organization (UNIDO), the regional commissions, the World Bank and the International Monetary Fund.

[5] Paragraph 12 (1) of the Global Jobs Pact reads: "Countries should give consideration, as appropriate, to the following: ... building adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor."

involvement of the United Nations Children's Fund, the International Monetary Fund (IMF) and other organizations, the initiative has promoted a dynamic and constructive inter-agency collaboration by establishing a global social protection floor advisory network between collaborating United Nations organizations and development partners. A number of country activities where United Nations organizations closely collaborate are already under way (in Burkina Faso, Cambodia, the Maldives and Mozambique). Another four countries have shown interest and the inter-agency coalition has reported first contacts from a number of other countries. There is also discussion of using a social protection floor approach in the reconstruction of Haiti, which is a new and challenging possibility. A strong collaboration with the Special Unit for South-South Cooperation in UNDP has firmly integrated the social protection floor as a topic for South-South learning activities, and courses at the ILO International Training Centre in English, French and Spanish further contribute to building implementation capacities for policies related to social protection floors at the country level. On the whole, the concept has been taken up much faster than anticipated and important elements of it have been endorsed by the governing bodies of several United Nations organizations. The challenge is to bring the concept into the mainstream of regular activities of the organizations and at the same time promote a sustainable cooperative structure to maintain momentum.

11. Several other components of the nine-point CEB package of initiatives also fall within the issues covered by the ILO resolution. These include the green economy initiative, led by the United Nations Environment Programme (UNEP),[6] which has yielded a wide range of research, advocacy and training products that are of particular value considering that some 15 per cent of country stimulus packages have been identified as green-related investments, with job creation, alternative livelihoods and poverty reduction being among the key motivators for making those investments, in addition to the environmental gains. The food security initiative, led by the Food and Agriculture Organization of the United Nations, built on the work of the Secretary-General's High-level Task Force on the Global Food Security Crisis, providing an opportunity to reflect the crisis-related aspects in the revised comprehensive framework for action on the issue and establish a broad partnership with relevant actors.[7] Organizations participating in the trade initiative,[8] led by the United Nations Conference on Trade and Development and the World Trade Organization, have been active in monitoring trade and investment developments to counter protectionism, in encouraging existing aid for trade pledges and in pressing for the conclusion of the Doha Round of trade negotiations.

12. Following the call for a coordinated approach at the country level made at the Conference on the World Financial and Economic Crisis and Its Impact on Development (see General Assembly resolution 63/303, annex), the United Nations

[6] Paragraph 21 (3) of the Global Jobs Pact encourages cooperation in "shifting to a low-carbon, environment-friendly economy that helps accelerate the jobs recovery, reduce social gaps and support development goals and realize decent work in the process".

[7] Paragraph 22 (5) of the Global Jobs Pact recognizes "the value of agriculture in developing economies and the need for rural infrastructure, industry and employment".

[8] Paragraph 21 (2) of the Global Jobs Pact encourages cooperation in "promoting efficient and well-regulated trade and markets that benefit all and avoiding protectionism by countries", while taking into account "varying development levels of countries" in "lifting barriers to domestic and foreign markets".

Development Group has developed modalities to support field-based, country-owned crisis response programmes targeting the most vulnerable countries and populations and drawing on the expertise, resources and networks made available under each of the nine initiatives. The initiative related to additional financing for the vulnerable, led by UNDP and the World Bank, has not, however, resulted in new financing to support the Global Jobs Pact (see CEB/2010/4).

13. Limited additional funding is a significant factor restraining the scope for action by United Nations country teams to support comprehensive and coordinated crisis response programmes in vulnerable countries. A further factor inhibiting integrated approaches to respond to the crisis could be a tendency to revert to project-based approaches, which are less suited to tackling the pervasiveness of the social repercussions of a generalized decline in levels of economic activity or a sequence of multiple economic shocks. A continuing challenge remains the need to seek greater coherence between the Bretton Woods institutions and the rest of the United Nations system at the country level, particularly with regard to macroeconomic and fiscal enablers of policy measures. A very specific obstacle to well-designed and targeted programmes and policies is the lack in many countries of comprehensive and timely statistics about the labour market and the social impacts of the crisis.

2. Other United Nations initiatives

14. At its 306th session, held in Geneva from 5 to 20 November 2009, the Governing Body of ILO renewed the call for an "employment oriented" response to the global economic crisis based on the policy measures set out in the Global Jobs Pact. The Governing Body requested the Director-General of ILO to deepen support for countries applying the Pact, seek additional resources to fund policy initiatives within the framework of the Pact, and increase the capacity of the International Labour Office to respond to requests from constituents, including through South-South cooperation. It encouraged the Office to further develop its cooperation with multilateral institutions. The effect given to the Global Jobs Pact was reviewed at the 307th session of the ILO Governing Body, held in Geneva from 11 to 26 March 2010.

15. At its first regular session of 2010, held in New York from 19 to 22 January, the UNDP/UNFPA Executive Board adopted decision 2010/11, entitled "UNDP response to the financial and economic crisis: promoting the Global Jobs Pact". The decision called upon UNDP to integrate the Global Jobs Pact into its operational activities under the UNDP strategic plan. It asked the Administrator to strengthen inter-agency collaboration at the country level so as to enhance thematic ties with the CEB social protection floor initiative. It also requested UNDP to include in the annual report of the Administrator a progress report outlining the initiatives it had undertaken to implement the decision.

16. As a follow-up to decision 2010/11, concrete steps are being taken to enhance collaboration between UNDP and ILO in key areas, including: (a) activities to promote employment creation, income generation and reintegration in post-conflict countries; (b) tackling climate change through the generation of green jobs in adaptation and mitigation; (c) building a stronger empirical base and knowledge about the employment impact of various policies and programmes; and (d) taking

forward joint work on promoting the social protection floor, including through country initiatives.

17. As requested by CEB and the Economic and Social Council, ILO is providing support to countries and multilateral agencies to determine how policies, strategies, programmes and activities are interlinked with employment and decent work outcomes. The 2010 guidelines issued by the United Nations Development Group on developing United Nations Development Assistance Frameworks promote the use of the CEB *Toolkit for Mainstreaming Employment and Decent Work*[9] by United Nations country teams to develop the current Development Assistance Frameworks and "Delivering as one" programmes. The *Toolkit* can help to promote better understanding of the policy options included in the Global Jobs Pact and to incorporate them into national outcomes. Using the *Toolkit*, ILO has assisted national Governments and United Nations organizations to mainstream decent work in Argentina, Indonesia, Pakistan, Serbia, the Syrian Arab Republic, the United Republic of Tanzania, Uruguay and Viet Nam.

18. Support to the Global Jobs Pact has also come from the Commission for Social Development. At its forty-eighth session, held in New York from 4 to 13 February 2010, the Commission recommended a draft resolution entitled "Promoting social integration" for adoption by the Economic and Social Council, in which the Council would take note of the adoption of the Pact and the CEB joint crisis initiatives. Recognizing that the economic and financial crisis could have negative implications for social development, the draft resolution urges Governments, with the cooperation of relevant entities, to develop systems of social protection to extend coverage of social security and support labour-market participation.

19. The Global Jobs Pact was adopted as an entry point and basis for continued work by the inter-agency task team for the implementation of the United Nations system-wide "Plan of action on full employment and decent work for all", under the framework of the Second United Nations Decade for the Eradication of Poverty (2008-2017).[10] The task team also agreed that, by virtue of its focus on full employment and decent work, the Second Decade network of focal points could provide a convenient mechanism to trigger inter-agency action on the Global Jobs Pact, avoiding duplication of efforts and helping to build coherence within the system. Given its scope and time frame, the Second Decade could also provide a channel to distil and disseminate lessons from the experience of the United Nations system with employment and decent work measures to cope with crisis response and recovery, with a view at strengthening the capacity of the system to deal with those dimensions of its work.

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[9] Geneva, International Labour Office, first edition 2007.

[10] The Second United Nations Decade for the Eradication of Poverty (2008-2017) provides a framework for reflection and medium-term action to boost efforts aimed at achieving the internationally agreed development goals related to poverty eradication, including the Millennium Development Goals. In the recognition that employment and labour market policies and institutions are critical means of enhancing the capabilities of the poor and helping them to realize their rights, the framework is focused on full employment and decent work. The task team is led by the Department of Economic and Social Affairs of the Secretariat and ILO. FAO, the Joint United Nations Programme on HIV/AIDS, UNEP, UNIDO, the Non-Governmental Organization Liaison Service of the Secretariat, the World Tourism Organization, the World Food Programme, IMF and the CEB secretariat are members of the task team.

20. As emphasized in the report of the Secretary-General on progress made towards implementing the Millennium Development Goals (A/64/665), access to decent and productive employment, as well as promotion of entrepreneurship, are fundamental ways of increasing the pace of progress on all the Goals. The report further encourages Member States to pay close attention to the recommendations contained in the ILO Global Jobs Pact.

B. The Group of 20 Pittsburgh summit and Washington meeting of Ministers of Labour and Employment

21. At the 2009 summit in Pittsburgh, leaders of the G-20, concerned about finding a more balanced approach to the global economy, committed to establishing a framework for strong, sustainable and balanced growth to ensure "a durable recovery that creates the good jobs our people need". The statement by the G-20 leaders invited international institutions to consider the goals of the ILO Pact in their crisis and post-crisis analysis and policymaking activities.

22. As a follow-up to the Pittsburgh summit, a meeting of the G-20 Ministers for Labour and Employment took place, at the invitation of the United States Secretary of Labor, in Washington, D.C., on 20 and 21 April 2010. The ministers made an assessment of the labour market situation in the aftermath of the crisis, reviewing the impact of the massive measures undertaken to respond to it and discussing what additional measures might be needed to ensure a sustained job recovery. In their review, they acknowledged that the ILO Global Jobs Pact and decent work agenda were valuable resources to design further measures to address employment and social protection systems. The ministers developed a list of five key recommendations to submit to the G-20 leaders as a contribution to the G-20 Framework for Strong, Sustainable and Balanced Growth and to enhanced policy coherence (see box 1). The recommendations reflect the diversity of the economies and stages of development of the G-20 countries, providing ample room for adaptation to the particular needs of each country; yet they also provide a common framework within which Governments can act together to reach a higher equilibrium of progress and well-being for their citizens.

Box 1

Summary of recommendations of G-20 Ministers of Labour and Employment to G-20 leaders (Washington, D.C., 20 and 21 April 2009)

Accelerate job creation to ensure a sustained recovery and future growth

As some countries begin to experience economic recovery, we recommend that continued attention be paid to job creation and job preservation, including vigorous implementation of existing policies and consideration of additional employment measures.

throughout the year and into 2011, dampening consumption in many countries. The danger of reining in stimulus measures before the recovery has fully taken hold in the private sector remains a concern. The exposure of banks to non-performing property loans in some countries and concern over possible sovereign debt defaults further threaten confidence.

23. Developing and emerging countries as a group are expected to grow noticeably faster than advanced countries, at 6.3 per cent, also helped by strong stimulus measures in the larger countries. The financial systems of most developing countries were also more resilient than those of the main financial centres. The crisis was thus "imported" via the slowdown in export earnings, foreign investment and, in some countries, declines in workers' remittances. There are large differences between the prospects for different countries however. Expansion of gross domestic product of 8.7 per cent is forecast for Asian economies, led by China and India. China's growth rebound is an important motor for the region and minerals exporters as it pulls in imports of components and raw materials. In the other regions, Mexico experienced a sharp fall of 6.5 per cent in 2009, but is expected to recover to 4.2 per cent in 2010. Brazil likewise could grow at 5.5 per cent. The Russian Federation, helped by an increase in commodity prices, is also returning to growth after a deep recession in 2009. Other developing and emerging economies are forecast to grow in a range of 4 to 5.5 per cent.

B. Weakness of the recovery in labour markets

24. The crisis has had a devastating impact on employment, and most negatively upon those people failing to benefit from earlier periods of economic growth. Still, the reduction in employment has been mitigated by the combined fiscal stimulus to the economy and to the attention that had been given to jobs and social protection in this response. ILO has estimated that unemployment could have been approximately a third higher without the effect of stimulus measures and the activation of automatic stabilizers, with an estimated 21 million jobs created or saved between 2009 and 2010 in the G-20 countries alone.[11]

25. Nevertheless employment could take several years to recover, raising serious risks and challenges for many countries. Long-term unemployment is increasing, and the rise in employment in the informal sector will be difficult to reverse. Unemployment, as estimated by the ILO *Global Employment Trends*,[12] affected a record 212 million people in 2009. Several advanced countries, including Ireland, Spain and the United States of America, suffered particularly large increases in unemployment rates, which is likely linked to the sharp impact of the financial crisis in these countries.[13]

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[11] "Accelerating a job-rich recovery in G-20 countries: building on experience", ILO report, with substantive contributions from the Organization for Economic Cooperation and Development (OECD), to the meeting of G-20 Ministers for Labour and Employment, Washington, D.C., 20 and 21 April 2010.

[12] Geneva, International Labour Office, January 2010.

[13] See Department of Economic and Social Affairs, "World economic vulnerability monitor", No. 4, April 2010, available from http://www.un.org/esa/policy/publications/wespwevm/monitor4.pdf.

26. Measurements of unemployment are less useful when assessing the labour market impacts of the crisis in developing countries, because of the low levels of formal wage employment. In these countries, analysing the share of workers in vulnerable employment[14] and the working poor (those living on less than $1.25 or $2 per day) is more telling. The ILO *Global Employment Trends* estimates that vulnerable employment may have increased by as much as 110 million individuals, making 1.5 billion, or 50.6 per cent, of the world's population trapped in vulnerable employment.

27. The potential for a large increase in the numbers of working poor as a result of the effects of the crisis is illustrated by a simulation of a cumulative decline in the incomes of those living just above the $1.25 a day poverty line. If incomes among those workers just above the poverty line declined by 10 per cent in 2008 and 20 per cent in 2009, this would push 215 million working women and men below the extreme poverty line. A less sharp decline in the incomes of those workers living marginally above the poverty line, 5 per cent in 2008 and 10 per cent in 2009, would cause some 110 million to fall into extreme poverty. These simulations serve to illustrate the fragility of progress in poverty reduction to the effects of economic downturn.[15]

28. Young workers remain among the most vulnerable groups in labour markets during times of economic downturn. Their unemployment rates are considerably greater than those experienced by prime-age workers even outside of crisis periods, often nearly 3 to 4 times as high, and recently have been rising at faster rates. Thus far the crisis has contributed to creating the largest year on year increase in youth unemployment for more than 10 years, increasing by 10.2 million worldwide from 2008 to 2009.[15] With much of the rise in unemployment coming from decreases in hiring, young workers are disproportionately affected.[16] The long-term effects of unemployment upon youth workers are also of serious concern, particularly for the "scarring" effects which may arise. Generating productive employment opportunities for youth in Africa is critical, where 60 per cent of the population as at 2008 was under 25 years old. Young women and men make up 40 per cent of the labour market, suffer from the highest rates of unemployment and are the most likely to be engaged in vulnerable forms of employment.

29. The impact of the crisis on employment developments have severely affected both men and women, setting back progress towards achieving decent work and sufficient earnings to reduce poverty. Job losses in manufacturing and construction have had greater effects on men. In certain regions and sectors women have been at greater risk, such as in Asian countries where they compose the majority of the workforce in export manufacturing industries. This sector is also primarily the domain of women in many Latin American countries. Reduced demand for migrant labour from Asia has a disproportionate effect on women, as they compose roughly two thirds of the region's migrants. In Africa, vulnerable employment in agriculture

[14] Vulnerable employment is defined as the sum of own-account workers and contributing family workers.

[15] International Labour Organization, *Global Employment Trends* (Geneva, International Labour Office, January 2010).

[16] Sandrine Cazes, Sher Verick and Caroline Heuer, "Labour market policies in times of crisis", Employment Working Paper No. 35 (Geneva, International Labour Office, 2009).

and the informal economy is dominated by women, making them, along with young people, among the worst affected on the continent by the crisis.

C. Threat of the jobs crisis to the achievement of the Millennium Development Goals

30. The full impact of the crisis upon the achievement of the Millennium Development Goals remains to be seen, yet clearly the adverse economic conditions have slowed progress and left major gaps, particularly for the populations of the world's smaller and more vulnerable countries. The weakening of labour market conditions directly affects the earning power of the poor and feeds through into other dimensions of poverty, including access to health care and education.

31. Loss of productive income and shrinking social spending will deliver a severe blow to poverty reduction efforts. The Asia and Pacific region hosts the greatest number of people living in extreme poverty. Analysis from the Asian Development Bank and the United Nations attribute an additional 21 million individuals having incomes of less than the $1.25 a day in 2009 to 2010. Using the $2 per day measurement, the Economic Commission for Africa and the African Union have estimated that an additional 27 million Africans entered into poverty in 2009 on account of the crisis, with the sharp reductions in growth costing the continent's 390 million extreme poor roughly 20 per cent of their annual income.[17] The "feminization" of African poverty implies a greater risk for women and children as the crisis develops. Poverty in Eastern Europe and Central Asia is also expected to increase. The World Bank has forecast that in 2010, compared with what was expected before the crisis, the region will see over 11 million more people in poverty, as well as over 23 million more people just above the poverty line.[18]

32. Regional variations are important determinants underlying the efforts to achieve Millennium Development Goal 1. The goal is expected to be reached at a global level, mainly though the large drops in poverty experienced in China and other East Asian nations. Sub-Saharan African poverty levels have declined much less dramatically. Although food prices have descended from their historic levels in 2008, the situation remains volatile. Recent signs of increasing food prices could have a detrimental impact upon efforts to accelerate progress in poverty reduction. Trends towards reducing the number of the world's undernourished population were already threatened by the 2008 food crisis; analysis suggests the number of undernourished people increased by 63 million people compared with 2007 figures. The economic crisis may be responsible for a further 41 million undernourished in 2009 than would have been the case without the crisis.[19]

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[17] *Economic Report on Africa 2010: promoting high-level sustainable growth to reduce unemployment in Africa* (United Nations publication, Sales No. E.10.II.K.1).

[18] Erwin R. Tiongson and others, *The Crisis Hits Home: Stress-testing Households in Europe and Central Asia* (Washington, D.C., World Bank, 2010).

[19] *Global Monitoring Report 2010: The MDGs after the Crisis* (Washington, D.C., World Bank/IMF, 2010).

IV. National policy responses

33. Governments in many countries responded to the financial and economic crisis with unprecedented expansionary monetary and fiscal policies. In contrast to the response to the 1998 Asian financial crisis, many countries increased or maintained levels of social spending, limiting falls in output, containing the extent of financial contagion and facilitating a more rapid recovery. Employment and social protection measures such as those suggested in the Global Jobs Pact were the main components of the fiscal stimulus packages and recovery plans of most countries.[20]

A. Lessons from experience with employment and social protection measures to respond to the economic crisis

34. As noted above, fiscal measures contributed significantly to mitigating the effects of the crisis on employment. A survey of country employment and social protection measures carried out by ILO in July 2009 gave some indication of what kinds of measures were introduced in about 50 industrialized and developing countries.[21] The study found that the six most frequently taken measures included additional spending on infrastructure; subsidies and tax reductions for small enterprises; credit for small enterprises; training programmes and facilities; consultations with employers' and workers' organizations; and social protection through cash transfers. These measures were among the policy options outlined in the Global Jobs Pact.

35. Further analysis was carried out by ILO, with substantive contributions from the Organization for Economic Cooperation and Development, in early 2010.[22] The new study pointed to a shift in emphasis in the policies adopted by G-20 countries — from the first wave of initiatives aimed at staving off a precipitous decline in employment and mitigating the impact on the most vulnerable, to measures seeking to promote a job-rich recovery, assist the long-term unemployed and prepare the workforce for structural changes such as those resulting from adaptation to lower carbon emissions.

36. The study noted that policymakers had shown some preference for measures that already had a track record in several countries and for which some institutional capacity was already in place, such as expanding or adapting existing programmes and projects. Nonetheless, Governments have been active in combining policy innovation with tried and tested measures, tailoring the recovery packages to the needs of their labour markets, the structure of their economies and the possibilities afforded by their level of development. Countries with automatic stabilizers already in place were better able to buffer the labour market effects of recession. Others had

[20] The adoption of the ILO Global Jobs Pact resolution in June 2009 was preceded by a series of international and regional consultations among a wide range of actors. Those consultations, together with the launch of the joint crisis initiatives by CEB in April 2009, provided critical inputs to the crafting of the Pact.

[21] See "Protecting people, promoting jobs: a survey of country employment and social protection policy responses to the global economic crisis", ILO report to the G-20 leaders summit, Pittsburgh, September 2009.

[22] Accelerating a job-rich recovery ... (ILO, April 2010).

to resort to large-scale discretionary measures. Many had to face difficult choices in readjusting meagre social budgets across new and old vulnerabilities.

37. There has been a great deal of national and regional specificity, but also common features and common lessons. The study made an attempt to draw conclusions about the impact of different measures in G-20 countries. The preliminary set of lessons deriving from those conclusions is a valuable source to assist countries strengthen their employment and social policies in line with the Global Jobs Pact and adapt measures to fit their national circumstances (see box 2).

38. A comprehensive look at the range of employment and social protection policy measures across all countries shows that the number of initiatives taken in middle and lower income countries was usually lower than in the most developed nations. There were similarities across countries at different levels of development (for example, a common emphasis on infrastructure investment, support to small and medium-sized enterprises and training and social expenditure) as well as differences. Active labour market policy measures similar to those adopted in the more developed countries were often used — mainly training, followed by job search assistance and entrepreneurship incentives. A number of middle-income and lower-middle-income countries that were experiencing job losses in their formal economy, often in export-oriented sectors, introduced basic forms of work-sharing or working time adjustments, at national or company levels. In general, however, countries at lower levels of development favoured interventions to address social vulnerabilities through public works programmes and cash transfers, either through the scaling up of existing schemes or the introduction of pilot programmes in targeted areas. At times, increases in minimum wages were used as an accompanying measure. Measures to support agriculture were also relatively more common.

Box 2
Emerging lessons from the policy experience with crisis response in G-20 countries

Stimulating labour demand

- Fiscal stimulus is working, but the timing, size and composition of spending determine effectiveness in saving and creating jobs
- Public spending on infrastructure generates jobs, especially when policy design and implementation systems are focused on employment creation
- Retaining employees through reduced working hours or other schemes can save jobs and retain skills; temporary schemes developed through social dialogue can maximize cost-effectiveness
- A broad range of measures to support small and medium-sized enterprises helps to save and create jobs
- Hiring subsidies can bring forward hires that employers, uncertain about recovery, may delay and are particularly useful for increasing opportunities for disadvantaged workers such as the long-term unemployed in the early phases of recovery

Extending social protection

- Social protection has helped many women and men and their families cope with the recession and halt the economic downturn, especially where systems were already in place and could be quickly extended. A basic social protection floor could bring these benefits to hundreds of millions more

- Targeting public employment programmes to depressed areas can be effective where schemes are well designed and targeted. Countries with experience of such employment guarantee schemes were best placed to enlarge them in the crisis

Promoting employment and skills

- Reinforced public employment services and strengthened cooperation with private employment agencies can play a major role in promoting a quick reintegration of job seekers into employment as the economy recovers and are vital to help disadvantaged workers keep a foothold in the world of work

- Enterprises and Governments have used the downturn as an up-skilling opportunity, providing employees, job seekers and new entrants with additional training

- Maintaining or, when appropriate, raising wages for the lowest paid, can contribute to countercyclical policies and reduce the risk of increased poverty

Source: ILO, April 2010.

B. Progress in promoting an integrated Global Jobs Pact policy package

39. Underlying the Global Jobs Pact approach is the notion that a combination of measures usually tends to produce better and more lasting results. Most policy measures have secondary effects that reinforce, or weaken, the effects of measures in related areas. In fact, one main outcome of the recent experience with crisis response has been the recognition that social protection brings a triple benefit. In addition to protecting people from being trapped in debilitating poverty, social protection empowers them to maintain their human capital and seize market opportunities, possibly even leading to the formation and upgrading of microenterprises. At the same, social protection contributes to aggregate demand, creating more space for those enterprises to prosper and generate jobs. Similarly, the expansion of productive and sustainable employment reduces the fiscal burden of social spending directly, as higher incomes afford families to pay for services and not to depend on social benefits, or indirectly through taxation and higher fiscal revenues. The search for virtuous circles and the optimal policy mix according to national circumstances is a main aspect of successful policy design and implementation.

40. In many countries, including Chile, Germany, Japan, Singapore and South Africa, consultations among Governments and employers' and workers' organizations have led to tripartite agreements, national action plans and other arrangements on measures to mitigate the consequences of the crisis and to accelerate recovery. The involvement of social partners has been a way to balance economic and social concerns and strive for convergent approaches.

41. Some countries have decided to adopt the Global Jobs Pact approach in an integral way and have approached ILO for technical support. To respond to their request, ILO has developed diagnostic tools to review and analyse national policy measures using a Pact framework, and it has carried out a series of technical missions to Bulgaria, El Salvador, Indonesia, Jordan and South Africa. Similar work is beginning in other countries. The development of a national pact usually entails a process of consultations with social partners and other stakeholders. In Indonesia, for instance, a high-level tripartite steering committee has been set up to provide oversight and direction. A dedicated website has been set up by ILO to provide information on developments in national, regional and international activities related to the Global Jobs Pact (see www.ilo.org/jobspact).

C. Fiscal and policy constraints in developing countries

42. Resource and administrative constraints affect the capacity of many developing countries to engage in countercyclical interventions targeted on employment and social protection. This, combined with widespread gaps in social protection coverage and the deficiency of automatic stabilizers, is a critical weakness. This hinders efforts to avoid the cumulative deflationary effects of economic shocks and contributes to perpetuate a situation of vulnerability and social distress, particularly when multiple shocks come each on top of the other as was the case with the food, fuel and financial crises.

43. Focusing on the contribution of the Global Jobs Pact to recovery and growth, a recent discussion at the ILO Governing Body Working Party on the Social Dimension of Globalization drew attention to the significant number of developing countries that have not been able to participate in coordinated stimulus measures and that international support mechanisms are not providing the scale of countercyclical finance they need, on terms they can afford.[23] Concern was expressed by many delegates that this was holding back more vigorous action along the lines envisaged in the Global Jobs Pact.

44. The capacity to implement policies such as those advocated in the Global Jobs Pact in a timely and comprehensive manner is specially lacking in smaller middle and lower-income countries, where fiscal space is limited as a result of declining tax revenues, faltering remittances and export earnings and falls in aggregate demand. The tightening budget situation is not just preventing the adoption of discretionary fiscal measures, in some countries it may be leading to cuts in spending for education, health, social transfers and existing safety nets, thereby jeopardizing the achievement of the Millennium Development Goals.

[23] ILO, report of the Working Party on the Social Dimension of Globalization (GB.307/15(rev), March 2010).

45. Some efforts have been made in those countries to cater to the new and the old poor through the reshuffling of social expenditures, the encouragement of community-driven programmes and better targeting and monitoring of social programmes, in some cases shifting away from food and fuel subsidies. Preparedness and timeliness helped to make a difference. Countries with established systems of social protection, or where safety net schemes were in place and could be scaled up rapidly, have been able to better cushion the effects on the vulnerable groups. In some cases, emergency assistance from the World Bank and IMF eased the pressure on social programmes. In others, international assistance was accompanied by deflationary elements that depressed demand and affected the incomes of the poor. Some redirection of international aid helped to mitigate the effects of the crisis on the welfare of the poor, but little resources were left to sustain public and private productive investments and support domestic enterprises and employment.

46. Important initiatives have been taken to increase the reserves of the international financial institutions and some multilateral development banks. Nevertheless, the demands for international financial resources by developing countries significantly exceed the resources available. Further increases appear to be highly desirable especially to sustain public expenditure on infrastructure and human capital, provide support for the private sector and sustainable enterprises to access new markets, introduce job creation and retention policies, as well as holding up incomes and aggregate demand, including through the expansion of a basic social protection floor. As shown by the review of crisis responses above, those countries — developing or developed — that have been able to implement aspects of such policies have more successfully weathered the economic crisis and embarked more rapidly on recovery.

V. Policy challenges: an employment agenda for inclusive growth and development

47. Despite a major policy effort in many countries to counteract the downturn and prompt fast and strong recovery, job creation is lagging and new and old social vulnerabilities have increased. With the prospects for sustained global economic growth uneven and fragile, policymakers face the challenge of sustaining credible and effective stimulus measures while ensuring sound public finances and packaging measures to maximize job generation and social resilience. The impact of national efforts will be maximized by enhanced international coordination, including through the facilitation of financial support to countries facing the greatest policy constraints. Policies to foster the creation of decent work opportunities and extend basic social protection are at the heart of strategies to secure recovery and move on to a balanced path of sustainable development essential to the eradication of poverty.

48. The main challenges are to construct a policy mix appropriate to each country and mobilize national and international support. One central element is to leverage public policy in order to stimulate new private investments in productive activities, innovation and the generation of decent jobs. Another is to strengthen and extend systems to protect people from successions of economic shocks and the related social risks. The two objectives are interrelated: improved productivity can feed

income growth, which in turn stimulates investment in further increases in productivity. A strong focus on sustainable job creation together with basic social protection can create a conducive policy environment for stable and inclusive growth and development and thus a solid foundation for poverty eradication.

49. As is underlined in Economic and Social Council resolution 2009/5, the Global Jobs Pact builds on linkages among social progress, economic development and the response to the crisis. The implementation of measures recommended by the Pact has helped to mitigate the impact of the crisis especially in those countries able to launch vigorous stimulus packages. The experience so far thus suggests that employment and social policies that are implemented in an integrated way nationally and coordinated internationally can be used to accelerate job creation and sustain economic recovery. Over the long term, the Pact could be a valuable framework for generating coordinated policy efforts to move out of the crisis through an employment-oriented agenda leading to a fairer, greener and sustainable globalization.

50. Additional efforts to ensure that recovery is sustained and produces job-rich growth for the future are warranted especially given worrying forecasts of labour market weakness in many countries. Premature unwinding of fiscal spending in one country after another under the pressure of international financial speculation, would be self-defeating. It is important to avoid the withdrawal of public support before increased business investment and household consumption is on a firm upward path. Coordinated, well-crafted and sequenced exit strategies are thus critical.

51. Combining employment and social protection measures within integrated packages can help to ensure maximum impact on demand, investment and employment generation, thereby contributing to higher growth, increased fiscal revenues and stronger economic foundations to sustain fiscal deficits. Experience with crisis response is providing lessons on how policies can be made more effective, prompting new policy thinking and the adoption of a more flexible set of instruments and approaches. The crisis is also offering an opportunity for more complementarity between macroeconomic and employment and social protection policies. Centrality of employment is a way to ensure coherence across different macroeconomic interventions.

52. A stronger employment and decent work agenda is particularly relevant to developing countries, especially the smaller middle and lower income economies. There is a need to create resilience to external shocks through greater economic diversification and a more inclusive and employment-intensive growth path. The Global Jobs Pact approach suggests giving priority to investments in infrastructure and agriculture, promoting sustainable enterprises, especially small and medium-sized enterprises, fostering the uptake of technology and vocational and entrepreneurial skills, especially for young people, and addressing informality to achieve the transition to formal employment.

53. Such policies would assist the build-up of productive capacities and diversified economies. Equally important, they would complement the necessary interventions to build up a basic social protection floor on a national basis. There is a growing consensus within the development community that providing a set of programmes for minimum economic security, in the form of cash transfers and targeted employment schemes, is a vital component of strategies to reduce structural poverty.

One lesson of the crisis is that these are important mechanisms for sustaining families and preventing poverty, creating a path for workers into the market economy and underpinning consumption and aggregate demand.

54. The drive to lift people out of poverty has been the main focus of the development endeavours of the international community over the past decade, with the Millennium Development Goals providing the frame of reference and a set of guiding tools. In the wake of the crisis and its impact on social expenditures and official development assistance budgets, there is a strong emphasis on redoubling and accelerating the efforts to achieve the Goals within the time targets. The crisis has shown that policies to protect the welfare of the poor and the extreme poor must go hand in hand with efforts to strengthen the economies where the poor live and reduce their vulnerability to shocks emanating from the international economy. There is legitimate concern with the need to accelerate progress on the Millennium Development Goals in countries where there are likely to be major measurable gaps. The Global Jobs Pact approach is an important tool in such a renewed emphasis on shaping a pro-poor dynamic to recovery and growth.

55. The systemic nature of the crisis is also bringing to the fore long-standing unresolved issues with the pattern of globalization. The agenda for reform is complex and filled with multifaceted priorities. New steps are being taken to address issues of global macroeconomic coordination, regulation of financial markets, the relaunch of trade negotiations and climate change. Examining these issues through an employment lens could make an important contribution to more coherent policymaking. Such an approach could help to harness the potential international multiplier effects of, for example, coordinated measures to promote employment and social protection, financing of productive investments, expansion of trade and environmental sustainability.

56. The Economic and Social Council has and can continue to play a pivotal role in stimulating policy convergence to ensure a recovery in which all countries are able to join and that it is succeeded by a more stable and inclusive path of global development. In this endeavour the Global Jobs Pact has provided a valuable instrument through which countries and the United Nations system have been able to focus on the global priority of tackling unemployment and underemployment. One year since the adoption of resolution 2009/5, positive signs of a policy shift are emerging. Nonetheless, the scale of the disruption caused by the financial crisis requires renewed efforts to enhance further international policy coherence and cooperation.